

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Business Bancshares Inc.

Point of Contact:	Brian J. Leeker	RSSD: (For Bank Holding Companies)	3189728
UST Sequence Number:	1077	Docket Number: (For Thrift Holding Companies)	N/A
CPP/CDCI Funds Received:	15,000,000	FDIC Certificate Number: (For Depository Institutions)	57358
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	April 24, 2009	City:	Saint Louis
Date Repaid ¹ :	N/A	State:	Missouri

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

The organization suffered a \$5.8 million net loss during 2010. Without the benefit of the CPP Capital, the organization would have needed to reduce lending dramatically to preserve capital in the face of the loss. The CPP capital allowed us to book new loans instead of actively reducing balances.

☐ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

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☒ **Increase securities purchased (ABS, MBS, etc.).**

Investment securities held by the organization increased 7% from the prior year. The CPP capital allowed the company to purchase additional investment securities, improving the liquidity of the organization.

☐ **Make other investments.**

☐ **Increase reserves for non-performing assets.**

☐ **Reduce borrowings.**

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☐ Increase charge-offs.

☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

The CPP funds allowed the organization to operate with higher capital levels during 2010. The additional capital allowed the organization to absorb the losses in our loan portfolio caused by the continued pressure of the overall economy.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The organization was able to avoid having to take several actions which would have negatively impacted the long-term outlook for the organization by continuing to have the CPP funds. During 2010, the company experienced significant losses from the continued weakness in the economy. Without the CPP capital, the organization would have needed to address a shortage in capital through the combination of a capital raise and a dramatic reduction in the size of the loan portfolio. Neither of these alternatives would have a positive long term affect on the organization or benefit the needs of the community we serve. Raising capital in the current environment would have seriously diluted and disenfranchised our current shareholders. A dramatic reduction in our loan portfolio would have led to disruption to our quality borrowers and a less profitable organization. The continued presence of the CPP funds has allowed the organization to avoid taking steps that would have damaged the long term health and success of the organization.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The organization has been able to continue to lend money to qualified borrowers during this difficult economic time. The additional capital provided by the CPP has allowed the organization to actively pursue business and plan for the future growth of the organization. Without the CPP funds, we would be reducing the size of the loan portfolio. Having the CPP funds allows the organization to continue to plan for the future, instead of being entirely focused on the present.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

N/A